



Association pour la participation des  
entreprises françaises à l'harmonisation  
comptable internationale



The Chairman of the IASB,  
30 Cannon Street,  
London EC4M 6XH  
United Kingdom

Paris, 21 July 2017

Dear Mr. Hoogervorst,

**Exposure Draft ED/2017/2 Improvements to IFRS 8 Operating Segments (the ED)**

We welcome the opportunity to comment on the proposed improvements to IFRS 8 contained in the ED.

We do not think that the Board should proceed with the ED in its current form.

There are some proposals which we think should not be pursued either (i) because they contribute to the already excessive burden of disclosure in IFRS or (ii) because they stray outside what we believe should be the boundaries of the IASB's mandate.

- (i) In the former category, we would place the requirement of 22(c) on the CODM's role and the explanation of differing reportable segments in 22(d).
- (ii) We would also place the requirement of 22(d) in the latter category, as we think that this is not within the IASB's mandate and could be detrimental to the status of IFRS since it could be seen to place a view of segments which is not IFRS-compliant on an equal footing with that view which is IFRS compliant.

Furthermore, proposed paragraph 12A appears to introduce new aggregation criteria with which we do not agree since they do not correspond to criteria we would expect entities to use in practice.

We do not think that the remainder of the proposals are really necessary. They do not change current requirements significantly and, although we would not object to the clarification they provide, we do not think that this is sufficient to justify a change in the body of the standard.

We provide more detailed discussion of these issues and the questions posed by the ED in the appendix.

If you have any questions on these matters, please do not hesitate to contact us.

Yours sincerely,

ACTEO

Patrice MARTEAU  
Chairman



AFEP

François SOULMAGNON  
Director General



MEDEF

Agnès LEPINAY  
Director of economic  
and financial affairs



## IASB's Question 1

The Board proposes to amend the description of the chief operating decision maker with amendments in paragraphs 7, 7A and 7B of IFRS 8 to clarify that:

- (a) the chief operating decision maker is the function that makes operating decisions and decisions about allocating resources to, and assessing the performance of, the operating segments of an entity;
- (b) the function of the chief operating decision maker may be carried out by an individual or a group—this will depend on how the entity is managed and may be influenced by corporate governance requirements; and
- (c) a group can be identified as a chief operating decision maker even if it includes members who do not participate in all decisions made by the group (see paragraphs BC4–BC12 of the Basis for Conclusions on the proposed amendments to IFRS 8).

The Board also proposes in paragraph 22(c) of IFRS 8 that an entity shall disclose the title and description of the role of the individual or the group identified as the chief operating decision maker (see paragraphs BC25–BC26 of the Basis for Conclusions on the proposed amendments to IFRS 8).

Do you agree with the proposed amendments? Why or why not? If not, what do you propose and why?

We are not aware of any difficulties experienced by preparers in applying the existing requirements about identifying the Chief Operating Decision Maker (CODM). However, we think that the proposed amendments to paragraphs 7 – 7B do not change the existing requirements and that the guidance may help those who have experienced difficulty. We think that this might be more appropriately placed in the Basis for Conclusions.

We think that the new requirement of paragraph 22(c) to disclose the description of the role of the CODM is overly prescriptive. The way that the entity is managed and who is responsible for major decisions will typically be covered by the section of the annual report describing the governance of the entity and we see no compelling reason why such information should be duplicated in the notes to the financial statements. In our view, the role of the notes is to provide detailed information about the financial statements, and not to provide the information described in paragraph BC25, viz. how the business is run, the level at which decisions are made and the decision-making process. We note that neither the current Framework nor the future Conceptual Framework recommend the disclosure of such information. We do not think that the proposed future Conceptual Framework's discussion about the objective of general purpose financial reporting and the users' need for information to assess management's stewardship leads inevitably to the conclusions of BC25 and BC26.

Finally, we are concerned that this proposal may add to the current problem of Disclosure Overload and thus would be counter-productive.

## IASB's Question 2

In respect of identifying reportable segments, the Board proposes the following amendments:

- (a) adding a requirement in paragraph 22(d) to disclose an explanation of why segments identified in the financial statements differ from segments identified in other parts of the entity's annual reporting package (see paragraphs BC13–BC19 of the Basis for Conclusions on the proposed amendments to IFRS 8); and
- (b) adding further examples to the aggregation criteria in paragraph 12A of IFRS 8 to help with assessing whether two segments exhibit similar long-term financial performance across a range of measures (see paragraphs BC20–BC24 of the Basis for Conclusions on the proposed amendments to IFRS 8).

Do you agree with the proposed amendments? Why or why not? If not, what do you propose and why?

- (a) We disagree with the proposed requirements of paragraph 22(d). We are very concerned that this paragraph will lead both to confusion about what the “real” reportable segments of the entity are and to further avoidable disclosure overload.

The contents of the financial statements and notes drawn up in accordance with IFRS are self-evidently compliant with IFRS standards and have a specific legal status in most jurisdictions. The proposals of the ED cause two potential issues of importance: firstly, any discussion in IFRS-compliant notes that indicates that there are different presentations of segments raises the question of whether the segments included in the notes to the financial statements are IFRS-compliant (this could be a particular source of confusion for the less sophisticated investor); secondly, such a reference could be interpreted in effect as an incorporation by reference of the documents referred to, and consequently result in uncertainty about the legal status and the relevant audit requirements. In our view, the doubt and uncertainty thus raised would be detrimental to the authority of IFRS.

In order to comply with this proposed requirement fully entities may have to provide copious explanations. For example, banks might have to explain the reasons for and differences with the “prudential” reports which could be deemed to form part of the “annual reporting package” under 19B(c). This requirement runs counter to the direction of the Disclosure Initiative.

We do not think that the IASB should expand its mandate into areas outside the financial statements and the related notes. The question of whether, and how, any differences between the IFRS8-compliant segments of the financial statements and those reported in other communications should be dealt with is one which falls into the domain of the relevant regulator. Any requirement to call attention to other communications with different approaches, which are by definition non-IFRS GAAP, will undermine the authority of the IFRS-compliant financial statements.

Finally, we note that Chapter 4 of the Discussion Paper Disclosure Initiative – Principles of Disclosure (the DP) discusses at length the issue of the location of information, the nature of the “annual report” and the issue of incorporation by cross-reference. Some of the issues raised in that document are relevant to the proposals included in paragraphs 19A, 19B and 22(d) of the ED. We think it is important that any final requirements of the ED are consistent with the decisions expected to be made in the DP.

- (b) We agree with the proposed striking-out of the first two sentences of paragraph 12 as these seem to create uncertainty rather than provide clear guidance.

However, we disagree with the proposed insertion of the new paragraph 12A in the section Aggregation Criteria. The positioning of this proposal effectively creates new mandatory aggregation

criteria which may well be unsuitable in some circumstances. One example of an undesirable or illogical outcome this could create is the effect of the criterion “similar long-term return on assets”: in many situations, such a criterion would lead to the prevention of older, depreciated assets and newer assets from being included in the same segment because of their very different returns.

We therefore think that this paragraph should be removed from this section of the proposed amended standard and possibly included in non-mandatory implementation guidance if the Board is of the view that such guidance is necessary.

**Question 3**

The Board proposes a clarifying amendment in paragraph 20A of IFRS 8 to say that an entity may disclose segment information in addition to that reviewed by, or regularly provided to, the chief operating decision maker if that helps the entity to meet the core principle in paragraphs 1 and 20 of IFRS 8 (see paragraphs BC27–BC31 of the Basis for Conclusions on the proposed amendments to IFRS 8).  
Do you agree with the proposed amendment? Why or why not? If not, what do you propose and why?

Although we are not opposed to the disclosure of information that is not reported to, or reviewed by, the CODM, we wonder whether it is necessary to make this point explicitly. We think that it is implicit in IFRS that entities may provide any information they think is necessary to facilitate a better or fuller understanding of the financial statements, irrespective of whether such information is specified in standards. By making the statement in proposed paragraph 20A, the Board may risk creating an understanding that such additional information is not allowed unless specifically permitted. We think therefore that it is preferable to remain silent upon the issue in the body IFRS 8. The Board might discuss this point in the Basis for Conclusions if it wishes to emphasise it.

Furthermore, the Board should make it clear that it is referring only to additional financial information similar to that already listed in the disclosure requirements of the standard, if that is the board’s intention.

**Question 4**

The Board proposes a clarifying amendment in paragraph 28A of IFRS 8 to say that explanations are required to describe the reconciling items in sufficient detail to enable users of the financial statements to understand the nature of these reconciling items (see paragraphs BC32–BC37 of the Basis for Conclusions on the proposed amendments to IFRS 8).  
Do you agree with the proposed amendment? Why or why not? If not, what do you propose and why?

We agree with this clarification.

## Question 5

The Board proposes to amend IAS 34 to require that after a change in the composition of an entity's reportable segments, in the first interim report the entity shall present restated segment information for all interim periods both of the current financial year and of prior financial years, unless the information is not available and the cost to develop it would be excessive (see paragraphs BC2–BC10 of the Basis for Conclusions on the proposed amendments to IAS 34).  
Do you agree with the proposed amendment? Why or why not? If not, what do you propose and why?

We think that the threshold of “excessive cost” is appropriate and that this is a matter of judgement for the entity.

Finally, paragraph BC9(a) could be interpreted to mean that discrete quarterly data is required on the new basis. As stated in IAS 34.28&29, interim data is normally reported on a year-to-date basis and thus the current interim period is calculated as the difference between two year-to-date periods. It should be made clear that BC9(a) does not impose a new requirement.